

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05
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FM AMEMBASSY CAIRO
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E. O. 11652: N/A
TAGS: EGEN, EFIN, EG
SUBJ: POSSIBLE GOE MOVE TO VALUE HIGHER PERCENTAGE OF IMPORT
COMMODITIES AT PARALLEL RATE

1. EGYPTIAN AND AMERICAN BANKING SOURCES TOLD EMBOFFS
RECENTLY THAT GOE HAS DECIDED TO VALUE EIGHTY PERCENT OF
IMPORTED COMMODITIES -- E.G. INTERMEDIATE, CAPITAL AND
LUXURY GOODS -- AT PARALLEL RATE FOR LAST QUARTER 1977,
LEAVING ONLY 20 PERCENT OF IMPORTS TO BE FINANCED BY CENTRAL
BANK AT THE OFFICIAL RATE. WE UNDERSTAND THIS DEPARTURE FROM
PAST PRACTICE UNDER WHICH CENTRAL BANK USED OFFICIAL RESERVES
TO MEET GAPS IN PARALLEL MARKET FINANCING.

2. GOE ACTION COINCIDES WITH STATEMENTS BY DR. KAISSOUNI
SINCE IMF STANDBY AGREEMENT SIGNED IN APRIL THAT GOVERNMENT
WILL MAKE EVERY EFFORT SHIFT LARGE SEGMENT OF IMPORTED ITEMS
TO PARALLEL MARKET PARTIALLY TO RATIONALIZE DISTORTED
PRICING SYSTEM. ONE DESIRED EFFECT OF SUCH ACTION WOULD BE
TO SLOW DOWN IMPORTS (GIVEN LIMITED AVAILABILITY OF PARALLEL
MARKET FUNDS).

3. IN DISCUSSION ABOVE POINT, EGYPTIAN BANKERS TEND
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GENERALLY TO SUPPORT THIS VIEW AS PARALLEL MARKET FX APPEARS
IN SHORT SUPPLY THROUGH EGYPTIAN BANKING SYSTEM.
HOWEVER, MANAGER OF LOCAL U.S. - EGYPTIAN JOINT VENTURE OPERATION
BELIEVES EFFECT MIGHT BE LESS DRAMATIC, AS HIS OPERATION HAS
SURPLUS OF PARALLEL MARKET DOLLARS AMOUNTING TO ROUGHLY \$100
MILLION. WHILE THIS AMOUNT COULD NOT MEET TOTAL THIRD QUARTER
DEMAND, IT COULD POSSIBLY HAVE MITIGATING EFFECT ON INTENDED

GOE ACTION.
MATTHEWS

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: COMMODITIES, IMPORT PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Expiration:
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Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977099/aaaaahlt.tel
Line Count: 64
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Review Release Date: n/a
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Subject: POSSIBLE GOE MOVE TO VALUE HIGHER PERCENTAGE OF IMPORT COMMODITIES AT PARALLEL RATE
TAGS: EGEN, EFIN, EG
To: STATE
Type: TE
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